

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice LP-1905

For: State and County Offices

National Price Support Training Session Questions and Answers

Approved by: Deputy Administrator, Farm Programs



1 National Training Session Questions and Answers

A

Background

Several questions were raised during the National Price Support Training Session in New Orleans, Louisiana, held September 9 through September 13, 2002.

B

Purpose

This notice provides answers to the questions recorded during the sessions about:

- farm storage facility loans
 - sugar storage facility loans
 - graze-out
 - special programs
 - sugar
 - marketing assistance loans.
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Disposal Date

June 1, 2003

Distribution

State Offices, State Office relay to County Offices

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2 Specific Training Session Questions and Answers

A

Farm Storage Facility Loans

Must employees providing financial analysis recommendations for FSFL applicants have farm loan program approval authority?

Yes, according to 1-FSFL, subparagraph 101 E, COC's must obtain a recommendation for loan approval concerning the applicant's credit history and ability to repay from an FSA employee with FSA loan program approval authority. This authority is granted to FSA employees who have received training and have passed tests related to making and servicing FLP loans.

There is a considerable delay in processing FSFL's due to compliance with the Endangered Species Act. Can the National Office assist?

Yes, State Environmental Coordinator's may contact the Conservation and Environmental Programs Division (CEPD) for assistance in dealing with other Federal agencies.

Who pays for the cost of historical consultations?

Any fees or costs associated with applicant compliance with the National Environmental Policy Act and the National Historic Preservation Act, such as archaeological studies, shall be paid by the applicant. However, according to 1-FSFL, subparagraph 15 E, these fees may be included in the loan amount as an eligible net cost item.

For bunker type silos, can applicants use a material other than concrete for the floor?

No, according to 1-FSFL, subparagraph 12 A, bunker type structures must have at least 2 concrete walls and a concrete floor.

Are pads alone eligible for FSFL? Are applicants allowed to construct concrete pads to store grain?

Yes, according to 1-FSFL, subparagraph 12 A, concrete pads without walls on which an FSFL commodity is stored are eligible, if the loan is further secured according to 1-FSFL, subparagraph 14 C or G.

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2 Specific Training Session Questions and Answers (Continued)

A Farm Storage Facility Loans (Continued)

Why are certain commodities, harvested as silage, eligible FSFL commodities, but hay is not?

According to the preamble of the FSFL final rule published in the Federal Register on January 18, 2002, CCC will not implement a program to finance the construction of storage for non-FSFL commodities because of the lack of any USDA study indicating a critical need for storage of non-FSFL commodities.

For existing storage structures to be renovated, are applicants required to meet the storage need requirement and can additional capacity be added?

Yes, according to 1-FSFL, subparagraph 12 C, loans may be approved to add to or modify an existing storage facility if the applicant meets the storage need requirement. Existing and functioning storage capacity for applicable crops is considered in the storage need formula according to 1-FSFL, subparagraph 11 C, step 4 and the note in subparagraph 12 C. However, an increase in the storage capacity of the structure to be renovated is not required.

For financial repayment ability, is there a national standard ratio of cash flow income to debt repayment?

No, according to 1-FSFL, subparagraph 44 E, the only requirement is that there is a sufficient cash flow income amount to repay debt for the year in which the first installment is due.

Some States must search real estate records by name rather than by property. In that case, how do we know if the applicant has clear title to their real estate?

For loans that are not secured by real estate, County Offices need only to perform real estate searches to determine the need for severance agreements. County Office performed searches shall be carried out to the best of their ability with the resources provided. Additionally, if the State Office determines that County Office performed searches are too time consuming, according to 1-FSFL, subparagraph 14 I, the County Office may pay for a professional search. However, if State Office determines that searches by professionals are cost prohibitive, they may elect to have the borrower pay for the search.

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2 Specific Training Session Questions and Answers (Continued)

A

**Farm Storage
Facility Loans
(Continued)**

FSFL policy requires that STC or representative shall concur before disbursement with the first 5 FSFL applications filed and approved each FY at an administrative County Office. Will PSD consider lowering the number of applications to be reviewed?

No. The number will remain at 5 until the rate of COR common error findings improves. State Offices may lessen the review burden by naming STC representatives to perform required reviews.

Must FSFL applicants obtain multi-peril crop insurance rather than just hail insurance?

Yes, according to 1-FSFL, subparagraph 58 B, acceptable forms of crop insurance for FSFL purposes are any level of coverage of multi-peril insurance, including CAT, group coverage, and crop revenue insurance offered under the Federal Crop Insurance Program.

Can the FSFL software be programmed to print out the CCC-185 anytime after it is created for an applicant?

The CCC-185 system prints when CCC-185 is initially created for an applicant and when revisions to CCC-185 occur. PSD does not have the programming resources at this time to provide further CCC-185 print options.

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2 Specific Training Session Questions and Answers (Continued)

B

**Sugar Storage
Facility Loans**

Funding for sugar-related facility loans is planned for \$20 million per fiscal year. Is that the budget agreement?

\$20 million per fiscal year for sugar-related storage facility loans has been requested. Because appropriation bills have not been passed by Congress for FY 2003, the actual level of funding is uncertain. Also, under the current continuing resolution, because sugar-related facility loans are new and are funded separately from FSFL, there is no funding for sugar-related facility loans.

Who will conduct financial analysis for sugar-related facility loan applicants?

Financial analysis for sugar-related facility loan applicants will be conducted by National Office FSA staff.

Will there be an application fee for sugar-related storage facility loans?

This program has not been announced but the amended regulation at 7 CFR, Part 1436.12 on August 26, 2002, provides that there will be no application fee for sugar-related storage facility loans. However, the applicant will be required to pay for all fees and loan closing costs.

C

**2002 Through
2007 Graze-Out**

Does the software only accept whole acres and whole shares?

Yes, the software only allows acres to be recorded in whole numbers. Producer shares must also be recorded in whole percentages and equal 100 percent.

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2 Specific Training Session Questions and Answers (Continued)

D

Apple Market Loss Assistance Program

What year does AMLAP II and AMLAP III cover?

Both AMLAP II and III cover the 2000 crop year.

Is crop insurance covered under AMLAP II and AMLAP III?

Under AMLAP II, producers in an apple operation could not have received any other Federal program payment for the same market loss of apples. However, if the producers in the apple operation received a payment for crop insurance, disaster, or any other program not specifically for the market loss of apples they are still eligible for AMLAP II benefits. This was not an eligibility requirement for AMLAP III. Therefore, producers in an apple operation could have received any other Federal benefit in addition to the AMLAP III payment.

Will there be duplicate payments for AMLAP II and AMLAP III?

Producers will receive 2 separate payments; 1 payment for AMLAP II and 1 payment for AMLAP III. To receive AMLAP II benefits, producers must complete CCC-891 certifying the pounds of apple production produced and harvested during the 2000 crop year. Producers must re-certify the pounds of apple production produced and harvested during the 2000 crop year on a CCC-891-3 to receive AMLAP III benefits.

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2 Specific Training Questions and Answers (Continued)

E

Sugar

When beet sugar is dry and free flowing, does that mean that beet sugar can be raw and free flowing?

Yes.

If a producer repays an in-process sugar loan before maturity and the sugar has been processed, are producers eligible for a nonrecourse loan on the processed sugar?

Yes. Once in-processed sugar is repaid and converted to processed sugar processors may obtain a new loan.

Are the States going to have to approve warehouses themselves?

No. Warehouses are only approved by DACO through Kansas City, MO. However, there currently are no approved warehouses for sugar.

Will KC-227 only be issued at forfeiture?

No. KC-227 will be issued before loan making and will be provided to the County FSA Office at the time of the loan. If the sugar is turned over to CCC at loan maturity the information recorded on KC-227 must be the same sugar delivered to CCC from the processor.

Will 10-SU be revised? How long?

Yes. 10-SU, Amendment 9 was issued on October 4, 2002.

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2 Specific Training Session Questions and Answers (Continued)

F

**Milk Income
Loss Contract**

What classes of milk are eligible for the MILC Program?

All class of milk are eligible for the MILC Program.

If a producer produces his own cheese from his cow is he eligible?

Yes, as long as the cheese is marketed and the producer has acceptable production evidence.

If the milk is dumped milk will producers get paid for MILC Program?

No. Dumped milk that causes the contamination of a bulk load for which an insurance indemnity is paid to the producers for the contaminated milk is ineligible for the MILC program. Also, milk dumped on the farm by State or health department order is ineligible.

What is a dairy operation?

A dairy operation is any person or group of persons who as a single unit as determined by CCC, produce and market milk commercially produced from cows and whose production facilities are located in the United States. Each State and County Office must strictly apply this definition to the MILC Program in the exact same manner the definition was applied for the DMLA program in the State with no variation.

If a producer has separate cows, barns, and application, how will they be defined?

The same way the State and County FSA Office determined a valid dairy operation under DMLA I, II, or III.

There are 2 signatures on a contract but 1 does not have an AD-1026, do they both get paid?

No, the producer who is not in compliance on all farms is ineligible for his share of the payment. The producer that is in compliance will receive their share of the MILC payment.

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2 Specific Training Session Questions and Answers (Continued)

F

Milk Income Loss Contract (Continued)

What are the eligibility rules if a producer pays a hired hand, but the hired hand no longer works for the dairy operation? What can the producer do to get the hired hand's signature?

All producers who share in the risk of a dairy operation's total production must be listed on the application. If the dairy operation is unable to obtain the signature of 1 of the producers on the contract, the dairy operation will only be paid according to the producer shares and signatures they are able to obtain.

How will the producer be notified of no designation?

Before the end of each FY, County Offices will issue a reminder letter to dairy operations with a MILC, informing them of their designation or designation dates to make selection, etc. A forthcoming notice will provide instructions.

If no month has been designated to start MILC, the first month of the contract begins immediately after the transition period or the beginning of the FY, if the 2.4 million pound cap on production has been met.

Would it be best to leave the start date blank on CCC-580?

If the dairy operation wishes their payments to begin with the first month of the FY then it would be best to leave the start date blank.

Are the contracts going to be amended? What about those already signed?

Producers of a dairy operation who have an approved CCC-580 on file with the County Office may obtain CCC-580M to modify an existing MILC, to add or remove a producer, or change producer shares.

Each producer/shareholder who signed the approved CCC-580 must sign CCC-580M, Part B, indicating their current shares in the dairy operation under the approved MILC.

Remaining and new producers or shareholders must sign CCC-580M, Part C, certifying the modified structure of the dairy operation and indicating the required change.

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2 Specific Training Session Questions and Answers (Continued)

F

Milk Income Loss Contract (Continued)

What does a producer do if the month is selected but they want to unselect the month and change it?

Operations can change a previously selected start month either on or before the 15th of the month before the month selected or at the start of the next fiscal year.

Will the producer still receive payment during transition period?

If a producer does not elect to forgo their transition period payment, the producers in the dairy operation will receive payments beginning from December 1, 2001, until the earlier of their 2.4 million pound cap is reached or the end of the FY.

When will payment be received?

Payment will be issued no later than 60 calendar days after FSA received production evidence for each applicable month.

Is the \$2.4 million cap per fiscal year or transition period?

Payments are issued up to a maximum of \$2.4 million pounds of milk produced and marketed by the operation per fiscal year. This includes transition and contract period payments made in a fiscal year.

Is there going to be a change in the appendix?

No. All modifications to CCC-580 Appendix have been included in CCC-580-Addendum 1.

The most significant change to CCC-580-Appendix is the provision that requires the dairy operation to make their selection of the month for CCC to begin issuing payments to the producers in the dairy operation on or before the 15th of the month before the month in which payment is sought rather than the 23rd of the month.

What is the definition of transition payment?

A transition payment is a payment issued to a producer for milk marketed from December 1, 2001, through the last day of the month preceding the month the operation's MILC is submitted.

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2 Specific Training Session Questions and Answers (Continued)

F

Milk Income Loss Contract (Continued)

Why does the producer get December payment if they don't select that month? The producer might max out before time.

All transition period payments begin with the month of December 2001 and payments are issued for months thereafter consecutively until the earlier or when the 2.4 million pound cap is reached or the end of the FY. The producer will receive payment if no start month was selected. Otherwise payment will be disbursed after the contract is submitted within 60 calendar days.

All MILC payments are issued consecutively beginning from either the start month selected by the dairy operation or the first month of the FY if no start month has been selected.

Will the software allow producers changes on a monthly basis?

Yes.

What is milk marketing?

Marketing of milk for which there is a verifiable sales or delivery record of milk marketed for commercial use.

The notice states that original document must be submitted for MILC. Will faxes be accepted?

Yes.

How many decimals to the right are payment rates carried to?

Payment rates are carried 7 decimals to the right, for example: \$0.7695000.

Do producers have to do the payment calculations on the form or can the calculations be done manual? Will the computer print out the calculations or will they already be on the form?

Payment calculations do not have to be manually entered on CCC-580. However, the pounds of production must be entered manually on CCC-580. Yes, the computer will print out a production summary including calculations. A payment calculator for MILC is located on the PSD website at:
<http://www.fsa.usda.gov/dafp/psd/milc.htm>.

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2 Specific Training Session Questions and Answers (Continued)

F

**Milk Income
Loss Contract
(Continued)**

If a producer claims 100 percent share on CCC-580, but actually does not have 100 percent share, what kind of claim will there be to prove shares?

Articles of incorporation, partnership agreements, and any other verifiable evidence may be used to prove producer shares.

Dairy cooperatives want advance, what kind of way will that be done?

There are no advance payments for MILC.

In a 2 member partnership if 1 sells out to the other partner, who is the payment made to?

Until the contract is modified using CCC-580M the MILC payment will be disbursed as stated on the original contract.

A dairy operation changed from a partnership to an individual and production now comes from that individual. Will that production be accepted?

Yes, as long as modifications to the contract were made on CCC-580M according to Notice LD-531.

If the husband receives Social Security but the wife receives MILC do the shares have to be 50-50? What if the husband is not a participant in MILC and doesn't want to share in the production because it is an extra income for Social Security?

Whoever produces the milk must be on the MILC contract and share appropriately.

If the partnership dissolves will they receive payment?

Dairy operations that go out of business after December 1, 2001, may enter into MILC for a transition payment on the quantity of eligible production commercially marketed by the dairy operation during the transition period while the dairy operation was in business.

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2 Specific Training Session Questions and Answers (Continued)

F

Milk Income Loss Contract (Continued)

What procedures are there for a successor to a dairy operation in the middle of the fiscal year?

Depending on the type of succession, MILC can be modified using CCC-580M, or the MILC business rules may apply according to Notice LD-529.

If dairy operation is sold to someone not affiliated with the operation will they be eligible for a MILC?

Yes. See Notice LD-529.

Does the data entry have to be in pounds?

Yes. The system will convert data to hundredweight.

Payment accessed on the Internet or Intranet, how can it be done on System 36? How will payment be accessed?

The MILC Program and it's reporting system will be made available on the Internet/Intranet. All System 36 MILC data will be moved and made available on the Internet/Intranet.

How will shares be entered into the system?

The percentage of shares in a dairy operation may be entered in fractions of whole percent.

Can production be corrected?

Yes. The system will allow for real time corrections of data elements.

Will the same ID and password be the same as E-gov?

For the sake of simplicity, the same identification and password issued for E-gov will be used to access the MILC system. This may be subject to review and change.

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2 Specific Training Session Questions and Answers (Continued)

F

Milk Income Loss Contract (Continued)

Will there be any report that will be generated for multiple contracts for contract numbers?

Reports will be generated for all contracts. The system will allow for the entry of contract number to access the report.

If they are different dairies and names will they have the same identification? Do all the applications have to be under the same name? Will SCIMS pull up the information?

The system will assign unique contract numbers to separate operations even when they are under the same management.

G

Marketing Assistance Loans and Loan Deficiency Payments

Are cracked corn or crimped corn eligible commodities for loan?

Cracked, rolled and crimped corn is eligible for a:

- recourse loan at the applicable county loan rate
- nonrecourse loan at 20 percent of the applicable based county loan rate.

What is meant by the term “unlicensed facility”?

An unlicensed facility is a public warehouse, feedlot, feedyard, and a warehouse that do not have a CCC storage agreement.

If chickpeas don’t fall though the 20/64 screen are the chickpeas eligible?

Small chickpeas are defined as chickpeas that fall through a 20/64 screen. Small chickpeas are eligible for marketing assistance loans and LDP’s. Large chickpeas are ineligible for marketing assistance loans and LDP’s.

Is spot-check procedure going to be changed based on recommendation from the User Review Group?

Yes, the automated spot-check process will be enhanced to incorporate suggestions submitted by the User Review Group. Program policy and automation instructions for the changes will be included in 8-LP and 12-PS when the software is release to the field.

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2 Specific Training Session Questions and Answers (Continued)

H Wool and Mohair

Will core tests be accepted from foreign countries?

Only the New Zealand Wool Testing Authority for 2002 crop year only.

What is the final availability date?

The final loan availability date is January 31 of the year following the year in which the applicable commodity is sheared. The final loan availability date for the 2002 crop year has been extended to March 31, 2003.

Are there any farm storage eligible requirements?

Approved farm storage shall consist of a storage structure located on or off the farm, including the storage facility of a commissioned agent, that provides safe storage for the commodity through the maturity date for the loan.

I Honey

Where does the County Office document honey loan inspections?

On CCC-633 Honey in the "Remarks" section.

What type of verification is there for honey?

There are visual inspections to ensure that honey exists and production evidence.

What are the settlement fees?

Settlement fees are costs involved with local sale including sampling, weighing, and advertising honey.

Is there going to be any help for advertising for local sales?

No, not in advertising. However, State Offices may assist in notifying other States of honey production and loans that are available.

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2 Specific Training Session Questions and Answers (Continued)

I Honey (Continued)

Are there going to be provisions for eligibility?

The producer must have produced the honey in the United States during the calendar year and extracted on or before December 31, and must have beneficial interest in the honey for the calendar year.

Are there going to be lock-in rates?

Yes, lock-in repayment rates apply as long as there is an alternative repayment rate in effect.

Do local sale bids need to be passed to the National Office?

No, according to 8-LP, State Offices may accept or reject any or all local sale bids.

Does honey have an acreage report like other crops?

Yes, if a producer has cropland as defined in 3-CM.

When will the warehouses be approved?

There are no warehouses approved or planned to be approved at this time.

Is 2-LP Honey going to be amended?

Yes, 2-LP Honey, Rev. 11, is currently in clearance.

What cross checking is required to determine duplicate loans/LDP's for honey loans?

Determining quantity reasonable associates with the colonies and through spotchecks.

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2 Specific Training Session Questions and Answers (Continued)

J

Peanuts

Where can you find a list of approved warehouses and other information relating to approved warehouses?

A complete list of all approved warehouses, and additional information can be obtained by visiting the website at <http://www.fsa.usda.gov.uswa.htm>.

Where does the national posted price come from?

Domestic and international prices are collected from several sources, a determination is made as to the most reliable and consistent of these prices, and then they are plugged into a “black box” formula that determines the announced price.

Are wagons eligible for storing collateral?

Yes.

Are green peanuts eligible for a loan?

No, green peanuts are only eligible for LDP's.

Does the producer need a storage agreement if the wagon is on a property?

No. Wagons are considered to be approved farm storage.

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2 Specific Training Session Questions and Answers (Continued)

K

Lamb Meat Adjustment Assistance Program (LMAAP)

Are producers who own the lambs from birth to market eligible to receive LMAAP payment?

To qualify for LMAAP payments and in addition to other eligibility requirements, slaughter lambs must be owned for at least 30 calendar days continuously before marketing.

Feeder lambs must be owned continuously from birth to the time of marketing.

Ewe lambs must be purchased or retained for breeding purposes between August 1, 2001, and July 31, 2003.

Will there be an implementation to obtain a list of buyers that have owned the lambs for 30 days?

Not at this time.

L

Beneficial Interest

When the loss payee is listed as the bank on a contract does the producer still retain beneficial interest?

No. The producer loses beneficial interest upon signature of the contract if the bank is listed as loss payee. For the producer to maintain beneficial interest in the commodity, the producer must always have the risk of loss of the commodity.

Are 2002 crop year seed grower contracts required to have addendums to grant beneficial interest to the grower before or at the time of signing the contract?

No. As a result of the 2002 Farm Bill beneficial interest was waived on all loan commodities for the 2002 crop year only; therefore, producers will lose beneficial interest the earlier of the date of request or the date beneficial interest was lost and contract addendums would not have to be amended to grant beneficial interest before or at the time of signing.
